

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MAY 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO

COMMISSION FILE NUMBER 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

73-0618660

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

Parker Building, Eight East Third Street, Tulsa, Oklahoma 74103

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code (918) 585-8221

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes No

As of June 30, 1996, 56,235,774 common shares were outstanding.

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PARKER DRILLING COMPANY

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PART 1. FINANCIAL INFORMATION

PARKER DRILLING COMPANY AND SUBSIDIARIES
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (Dollars in Thousands)
 (Unaudited)

<CAPTION>

	May 31, 1996	Aug. 31, 1995
	-----	-----
ASSETS		

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Current assets:		
Cash and cash equivalents	\$ 10,854	\$ 20,752
Other short-term investments	4,068	1,372
Accounts and notes receivable	36,718	39,578
Rig materials and supplies	10,061	11,532
Other current assets	7,904	5,146
	-----	-----
Total current assets	69,605	78,380
Property, plant and equipment less accumulated depreciation, depletion and amortization of \$369,371 at May 31, 1996, and \$432,360 at August 31, 1995		
	124,203	122,258
Other noncurrent assets		
	27,568	16,321
	-----	-----
Total assets	\$221,376	\$216,959
	-----	-----
	-----	-----

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LIABILITIES AND STOCKHOLDERS' EQUITY

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Current liabilities:

Current portion of long-term debt	\$ 289	\$ 289
Accounts payable and accrued liabilities	13,931	16,940
Accrued income taxes	6,303	5,109
	-----	-----
Total current liabilities	20,523	22,338
	-----	-----
Long-term debt	1,463	1,748
	-----	-----
Other long-term liabilities	6,559	5,953
	-----	-----
Common stock, \$.16 2/3 par value	9,371	9,287
Capital in excess of par value	207,258	205,310
Retained earnings (accumulated deficit)	(21,843)	(24,391)
Other	(1,955)	(3,286)
	-----	-----
Total stockholders' equity	192,831	186,920
	-----	-----
Total liabilities and stockholders' equity	\$221,376	\$216,959
	-----	-----
	-----	-----

See accompanying notes to consolidated condensed financial statements.

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</TABLE>

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Dollars in Thousands Except Per Share Amounts)
(Unaudited)

<CAPTION>

	Three Months Ended		Nine Months Ended	
	May 31,		May 31,	
	1996	1995	1996	1995
	-----	-----	-----	-----
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Revenue:				
Drilling contracts	\$33,986	\$42,193	\$112,266	\$111,973
Other	1,012	1,066	3,371	3,307
	-----	-----	-----	-----
Gross operating revenue	34,998	43,259	115,637	115,280
	-----	-----	-----	-----
Operating expense:				
Drilling	23,000	31,023	76,987	82,890
Other	1,216	1,114	4,036	3,779
Depreciation, depletion and amortization	5,216	5,456	15,928	16,382
General and administrative	5,977	4,650	16,605	14,805
	-----	-----	-----	-----
	35,409	42,243	113,556	117,856
	-----	-----	-----	-----
Operating income (loss)	(411)	1,016	2,081	(2,576)
	-----	-----	-----	-----
Other income and (expense):				
Interest expense	(34)	(27)	(87)	(62)
Interest income	312	327	1,011	904
Other income (expense) - net	1,233	1,694	3,108	4,975
	-----	-----	-----	-----
	1,511	1,994	4,032	5,817
	-----	-----	-----	-----
Income before income taxes	1,100	3,010	6,113	3,241
	-----	-----	-----	-----
Income tax expense	790	960	3,565	2,215
	-----	-----	-----	-----
Net income (loss)	310	2,050	2,548	1,026
	-----	-----	-----	-----

Earnings (loss) per share, primary and fully diluted	\$.01	\$.04	\$.05	\$.02
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Number of common shares used
in computing earnings (loss)
per share:

Primary	56,251,437	55,206,365	56,014,726	55,010,970
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Fully diluted	56,290,118	55,389,837	56,219,680	55,183,989
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See accompanying notes to consolidated condensed financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(Dollars in Thousands)
(Unaudited)

<CAPTION>

Nine Months Ended
May 31,

-----	-----
1996	1995
-----	-----

<S>	<C>	<C>
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Cash flows from operating activities:

Net income (loss)	\$ 2,548	\$ 1,026
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Adjustments to reconcile net income (loss)
to net cash provided by operating activities:

Depreciation, depletion and amortization	15,928	16,382
Expenses not requiring cash	1,519	389
Change in operating assets and liabilities	(3,678)	(1,755)
Other-net	(2,587)	(3,051)

Net cash provided by operating activities	13,730	12,991
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Cash flows from investing activities:

Capital expenditures	(26,359)	(12,992)
Proceeds from the sale of equipment	5,377	6,198
Decrease (increase) in short-term investments	(2,696)	(2,315)
Other-net	(1,136)	121

Net cash provided (used) by investing activities	(24,814)	(8,988)
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Cash flows from financing activities:

Proceeds from exercise of stock warrants	1,552	-
Other	(366)	(226)

Net cash provided (used) by financing activities	1,186	(226)
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Net change in cash and cash equivalents	(9,898)	3,777
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Cash and cash equivalents at
beginning of period

-----	-----
20,752	10,660

Cash and cash equivalents at
end of period

\$10,854	\$14,437
----------	----------

Supplemental disclosure:

	-----	-----
	-----	-----
Interest paid	\$ 120	\$ 2
Taxes paid	\$ 2,556	\$ 2,248

Supplemental noncash financing activity:

In November 1994, the Company acquired a limited partner's ownership interest in two consolidated partnerships in exchange for a promissory note in the amount of \$1,850,000.

See accompanying notes to consolidated condensed financial statements.

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</TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements reflect all adjustments (of a normally recurring nature) which are necessary for a fair presentation of (1) the financial position as of May 31, 1996 and August 31, 1995, (2) the results of operations for the three and nine months ended May 31, 1996 and May 31, 1995, and (3) cash flows for the nine months ended May 31, 1996 and May 31, 1995. Results for the nine months ended May 31, 1996, are not necessarily indicative of the results which will be realized for the year ending August 31, 1996. The year-end consolidated condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the Company's Form 10-K for the year ended August 31, 1995.
2. Earnings per common share are based on the weighted average number of common shares and common share equivalents outstanding during the period. Common shares granted under the 1969 Key Employee Stock Grant Plan, 1980 Incentive Career Stock Plan and the 1991 Stock Grant Plan are issued and outstanding and are only considered in the computation of weighted average shares outstanding when their effect on earnings per share is dilutive.
3. In March 1995, Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" was issued. The statement establishes accounting standards for the impairment of long-lived assets, such as the Company's drilling, transportation and other equipment and will be effective for the Company beginning with the year ending August 31, 1997. The Company does not believe the new standard will have a material effect on the Company's financial position or results of operations.

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" was issued. The statement requires the computation of compensation for grants of stock, stock options and other equity instruments issued to employees based on fair value. The compensation calculated is to be either recorded as an expense in the financial statements or, alternatively, disclosed. The Company anticipates it will elect the disclosure method of complying with the new standard. Under the provisions of the new statement, it is anticipated pro forma net income to be disclosed will be lower than net income reported in the financial statements.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

Legal Proceedings

4. A judgment in the amount of \$4,860,000 was entered against a subsidiary of the Company by a judge of the First Civil Specialized Court in Maynas, Peru on May 10, 1996. The judgment was based on a claim by former union employees of the Company's subsidiary alleging that such subsidiary impaired their employment opportunities with that subsidiary and other employers. The Company disputes the basis for the claim and the judgment and has appealed the decision. Because the Company believes there was a lack of evidence and irregularities in the proceedings, the Company also intends to seek to overturn the decision through other appropriate proceedings. The original complaint requested damages in the amount of \$22,680,000, and the plaintiffs' right to seek additional damages in excess of the judgment by concurring in the appeal expires July 16, 1996. The plaintiffs have not filed a claim for interest in the proceeding but could initiate a separate proceeding for interest at a later date if the judgment is affirmed. Any execution of a final judgment against the subsidiary will have to be initiated in the United States or other countries in which the subsidiary has assets or conducts business as such subsidiary no longer holds assets or conducts business in Peru. While the Company does not believe that the judgment will have a material adverse effect on its financial condition, results of operations or its operations in South America, there can be no assurance at this time that a final judgment or judgments will not be entered against the Company's subsidiary in excess of the original judgment.

We have reviewed the consolidated condensed balance sheet of Parker Drilling Company and subsidiaries as of May 31, 1996, and the related consolidated condensed statements of operations for the three and nine month periods ended May 31, 1996 and May 31, 1995 and consolidated condensed statements of cash flows for the nine month periods ended May 31, 1996 and May 31, 1995. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of August 31, 1995, and the related consolidated statements of operations, redeemable preferred stock and stockholders' equity and cash flows for the year then ended (not presented herein); and in our report, dated October 17, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 31, 1995, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

By: /s/ Coopers & Lybrand L.L.P.

COOPERS & LYBRAND L.L.P.

Tulsa, Oklahoma
July 15, 1996

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Third Quarter of Fiscal 1996 Compared with Third Quarter of Fiscal 1995

The Company recorded net income of \$.3 million in the third quarter of fiscal 1996 compared to net income of \$2.0 million in the third quarter of fiscal 1995. This year's third quarter results were impacted by severance payments for personnel reductions, temporary reductions in revenue while certain rigs are being upgraded and completion of contracts on other rigs.

Total drilling revenue decreased \$8.2 million in the third quarter of this year from \$42.2 million to \$34.0 million due in part to lower revenue in the

Latin America region. Last year's third quarter revenue included \$3.7 million from southern Argentina operations which were subsequently terminated when the Company decided to sell the six rigs and ancillary equipment located in this market. In other Latin America operations, revenue decreased \$4.2 million primarily due to mobilization fees recorded last year and the temporary reduction in revenue as three rigs were modified and upgraded in Colombia. These rigs have re-commenced operations.

In the Asia Pacific region, revenue decreased \$1.4 million due to the completion of contracts in New Zealand, Pakistan and the Philippines. The reduced revenue in these areas was offset somewhat by additional rig utilization in Papua New Guinea, including one rig that was modified and resumed working in the third quarter, and a contract in Vietnam that began in the second quarter of this year. Revenue from U.S. operations increased \$.9 million principally due to the relocation of several rigs in the Lower 48 states to the Gulf Coast region where day rates are higher.

Although total drilling revenue decreased \$8.2 million, the drilling margin decreased only \$.2 million. The drilling margin as a percentage of drilling revenue increased from 26% last year to 32% this year. Contributing to the improvement in drilling margin percentage were the termination of low-margin operations in southern Argentina, higher rig utilization in Papua New Guinea where margins are better and improved margins on the three upgraded rigs in Colombia.

General and administrative expense increased \$1.3 million primarily due to one-time expenses associated with personnel reductions. Other income (expense) - net decreased \$.5 million due to fewer gains on sales of assets recorded in this year's third quarter.

The oversupply of rigs that has been prevalent in the U.S. market has allowed oil companies to demand rigs equipped with more sophisticated equipment such as diesel-electric power and/or top-drive systems. Consequently, during the third quarter the Company decided to remove 22 of its mechanical rigs from its U.S. rig fleet of 39 rigs and place them on the market for sale. It is anticipated that this sale will be substantially completed in the fourth quarter of fiscal year 1996.

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RESULTS OF OPERATIONS (Continued)

First Nine Months of Fiscal 1996 Compared with First Nine Months of Fiscal 1995

The Company recorded net income of \$2.5 million for the first nine months of fiscal 1996 as compared to \$1.0 million for the same period last year. Higher drilling margins were somewhat offset by one-time expenses associated with personnel reductions and a reduction in other income.

Drilling revenue of \$112.3 million for the first nine months of fiscal 1996 was \$.3 million higher than last year. Increased revenue from the Asia Pacific and U.S. operations offset the loss of revenue due to the termination of operations in southern Argentina.

In the Asia Pacific region, revenue increased \$6.4 million as reduced revenue due to completed contracts in New Zealand, Philippines and Pakistan was more than offset by increased rig utilization in Papua New Guinea. Revenue increased \$5.5 million in the U.S. due to Rig 245 operating in Alaska for the entire nine months this year coupled with the relocation of several rigs in the Lower 48 states to the Gulf Coast region where day rates are higher.

Although revenue was nearly the same as last year, the profit margin increased by \$6.2 million. The lower-margin revenue generated by the terminated southern Argentina operations was replaced by revenue from more profitable operations, particularly Papua New Guinea. Additionally, the Company benefited from improved margins on the three upgraded rigs which resumed work in Colombia.

The increase in general and administrative expense was primarily attributable to severance payments for personnel reductions. Of the \$1.9 million decrease in other income, \$1.5 million was due to the reversal in fiscal 1995 of a prior year's foreign currency accrual.

LIQUIDITY AND CAPITAL RESOURCES

Working capital of the Company was \$49.1 million as of May 31, 1996, and \$56.0 million as of August 31, 1995. Cash and short-term investments comprised \$14.9 million and \$22.1 million of working capital on these respective dates. Sources of cash for the first nine months of fiscal 1996 included cash generated from operations of \$13.7 million, proceeds of \$5.4 million from the sale of property, plant and equipment and \$1.6 million received upon the exercise of stock warrants.

Capital expenditures for the first nine months of fiscal 1996 were \$26.4 million, which were primarily related to upgrading and modifying rigs in connection with international contracts. The Company is pursuing new drilling projects in its existing markets, as well as in new markets such as Venezuela and Algeria, that would require capital expenditures in excess of \$75 million over the next several years for upgrades to existing rigs and/or acquisitions of new rigs. Of such amount, the Company is currently committed over the next six to nine months to spending approximately \$22 million for upgrades to two rigs in Papua New Guinea, three rigs in Peru and four rigs in Indonesia and for other ancillary capital expenditures. Any significant increase in capital expenditures would be subject to restrictions contained in the Company bank credit facility as specified below.

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LIQUIDITY AND CAPITAL RESOURCES (continued)

In order to have capital available to take advantage of these and other contract opportunities and for other general corporate purposes including, but not limited to, the acquisition of oil service related businesses, on July 11, 1996, the Company sold 9,050,000 shares of Common Stock raising \$48.5 million of net proceeds.

The Company has entered into a \$15.0 million bank revolving credit and letter of credit facility which expires on April 19, 1999 (the "Agreement"). At May 31, 1996, the Company had letters of credit totaling \$10.4 million outstanding under the Agreement. The Agreement contains restrictions on annual capital expenditures and the issuance of certain senior and subordinated indebtedness which can be incurred by the Company and certain operating subsidiaries designated in the Agreement through which the Company performs the majority of its drilling operations. The Agreement also limits payment of dividends on Common Stock and requires the Company to maintain certain financial ratios. The remaining subsidiaries of the Company are not a party to the Agreement and are able to make capital expenditures with independent financing from lenders that have no recourse to the Company and the designated subsidiaries, subject only to an overall limitation of indebtedness. The restrictions in the Agreement are not anticipated to restrict growth or investment opportunities in the foreseeable future.

Management believes that the current level of cash and short-term investments, together with cash generated from operations and the net proceeds from the sale of Common Stock subsequent to May 31, should be sufficient to meet the Company's immediate capital needs as well as capital required in connection with additional contracts which the Company is currently bidding. Should further opportunities for growth requiring additional capital arise, the Company believes it would be able to satisfy these needs through a combination of cash generated from operations, borrowings under the bank credit agreement and long-term debt financing.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

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Exhibit 10 (a) Credit Agreement, dated as of April 9, 1996,
between Parker Drilling Company and Bank of Oklahoma, N.A.

Exhibit 15 Letter re Unaudited Interim Financial Information

Exhibit 27 Financial Data Schedule (EDGAR version only)

(b) Reports on Form 8-K - There were no reports on Form 8-K filed
during the nine months ended May 31, 1996.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Parker Drilling Company

Registrant

Date: July 15, 1996

By: /s/James J. Davis

James J. Davis
Vice President, Finance and
Chief Financial Officer

By: /s/Randy Ellis

Randy Ellis
Controller and
Chief Accounting Officer

Exhibit 15

July 15, 1996

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 10549

Re: Parker Drilling Company
Registration on Form S-8 and Form S-3

We are aware that our report dated July 15, 1996, on our review of the interim financial information of Parker Drilling Company for the period ended May 31, 1996, and included in this Form 10-Q is incorporated by reference in the Company's registration statements on Form S-8 (File No. 2-87944, 33-24155, 33-56698 and 33-57345) and Form S-3 (File No. 333-04779 and 333-07995). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Section 7 and 11 of that Act.

By: /s/ Coopers & Lybrand L.L.P.

COOPERS & LYBRAND L.L.P.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED BALANCE SHEET AS OF MAY 31, 1996 AND THE CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED MAY 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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Exhibit 10(a)

April 9, 1996

Parker Drilling Company
and the Restricted Subsidiaries (defined below)
8 East Third Street
Tulsa, Oklahoma 74103

Re: \$15,000,000 Revolving Line of Credit for Issuance
of Standby Letters of Credit, General Working
Capital and Capital Expenditures

Gentlemen:

Bank of Oklahoma, National Association ("Bank"), has agreed to provide, subject to the terms and conditions of this letter agreement, a \$15,000,000 Revolving Line of Credit ("Revolver") to Parker Drilling Company, a Delaware corporation ("Parent"), and certain subsidiaries of Parent which are signatories hereto (the "Restricted Subsidiaries" and separately and collectively with the Parent, the "Borrower"), for the sole purposes of: (i) issuance by the Bank, at the request of the Borrower, of standby letters of credit, with the Borrower as account party ("LCs"); (ii) funding drafts on LCs; and (iii) funding advance requests for general corporate working capital and for short term capital expenditures (funding under (ii) and/or (iii), separately "Advance" and collectively "Advances"). The Borrower's obligation to repay Advances, together with interest, is evidenced by a promissory note in the face amount of Fifteen Million and No/100 Dollars (\$15,000,000) (the "Note") executed by the Borrower, a copy of which is attached hereto as Exhibit "A". The Borrower and Bank agree that the advance of funds and the

issuance of LCs shall be in accordance with the following terms and conditions:

1. Advances.

1.1 Letters of Credit. Borrower hereby irrevocably authorizes

and directs the Bank to make Advances with respect to proper demands made under the LCs. Each Advance thereunder shall be fully repaid with interest accrued at the rate described in the Note no later than two (2) business days following the day the Bank gives written notice to Borrower that such Advance has been made.

1.2 Working Capital. The Bank agrees, on the terms and

conditions set forth in this letter agreement ("Agreement"), to make Advances to the Borrower from time to time during the period from the date of this Agreement up to April 30, 1999, in the aggregate principal amount not to exceed at any given time outstanding Fifteen Million and No/100 Dollars (\$15,000,000), less the aggregate outstanding (a) commitments under any LCs issued in connection herewith and (b) Advances. Within the limits of the foregoing, the Borrower may borrow, repay and reborrow, from time to time.

Parker Drilling Company
April 9, 1996
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Notwithstanding anything to the contrary, the Bank's obligation to issue any LCs hereunder or to make any Advances for working capital purposes or other purposes hereunder, shall be subject to the following conditions precedent: (i) All representations and warranties contained in this Agreement shall be true and correct

on and as of the date each Advance request is made, and (ii) no default shall have occurred and be continuing, or would result from any Advance made hereunder.

2. LC Issuance and Bank Fees. The aggregate face amount of all LCs

issued and outstanding shall not exceed \$15,000,000 at any time less unpaid Advances under 1.2 above. The Bank agrees, subject to the foregoing limits and the other terms and conditions of this Agreement, to issue LCs within three (3) days after receipt by the Bank of a completed original of the Bank's Standby Letter of Credit Application in the form of Exhibit "B" attached

hereto (or any similar form subsequently adopted by the Bank for such purposes), properly executed by an authorized representative of the Borrower. Upon the issuance of each LC, the Bank shall collect an issuance fee ("LC Fee") equal to 1.0% per annum (30 day minimum calculation) of the face amount of the LC (minimum \$50.00 per quarter) plus expenses incurred by the Bank (telecommunications, courier, etc.), by debiting the Borrower's general account #206314321 with the Bank. Borrower also shall pay the Bank a commitment fee ("Commitment Fee") equal to .375% per annum of the daily average during each Quarter (as hereinafter defined) of the amount by which \$15,000,000 exceeds (a) the aggregate liability of the Banks under LCs outstanding and (b) unpaid Advances under the Note on each day during the quarter. Said Commitment Fee shall be payable on the 10th day following the end of each Quarter, commencing with the Quarter ending May 31, 1996. As used in this Agreement, the term "quarter" shall mean each of the periods of three (3) consecutive months commencing on, respectively, March 1, June 1, September 1 and December 1. In the event the expiration date of any LC extends beyond April 1, 1999, Borrower must (a) pledge to Lender a certificate of deposit or similar cash collateral acceptable to Lender, or (b) authorize an Advance hereunder to be held by Lender in an interest-bearing account at Lender's office in which Borrower hereby grants to Bank a security interest and right of set-off, in an amount at least equal to the face amount of the applicable LC.

3. Collateral.

3.1 Obligations Unsecured. The obligation of the Borrower to

repay any and all Advances, and to pay interest thereon, LC Fees, Commitment Fees and costs, expenses and other amounts payable by the Borrower hereunder (collectively, the "Obligations") shall be unsecured.

3.2 Negative Covenant. Borrower represents and warrants to Bank

that none of its or their respective assets is (or will become so long as any amounts remain unpaid under the Note or any LC remains outstanding) encumbered (e.g., subject to a lien or any adverse claim), except as to: (i) purchase money security interests ("PMSI") as defined in the Oklahoma Uniform Commercial Code; (ii) any existing liens not to

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exceed \$100,000 in the aggregate; (iii) security for bonds and other surety obligations incurred in connection with normal business operations; (iv) liens granted to Bank; and (v) non-consensual liens, provided they are removed within sixty (60) days of attachment.

4. Covenants. The Borrower covenants and agrees with the Bank that,

until the full and final payment of all Obligations and termination of the Revolver, it will comply with the terms of this Section 4.

4.1 Borrower will maintain a ratio of current assets (excluding intercompany accounts and notes receivable) to current

liabilities of no less than 1.75 to 1, as determined on a GAAP basis, at all times.

- 4.2 Borrower will, at all times, maintain a ratio of total debt to total net worth no greater than .5 to 1, as determined on GAAP basis. Inter-company accounts payable and deferred taxes are to be excluded from the calculation.
- 4.3 Borrower will, at all times, maintain a quick ratio (defined by GAAP), not less than 1.5 to 1 (which excludes intercompany accounts and notes receivable).
- 4.4 Borrower shall not create, incur, assume or suffer to exist any Indebtedness owing by it (other than to the Company or any other Restricted Subsidiary), except (a) Indebtedness incurred pursuant to this Agreement; (b) additional Indebtedness of the Borrower at any time outstanding not to exceed \$10,000,000; and (c) Indebtedness for the deferred purchase price of property or in the nature of capitalized leases in an aggregate principal amount at any time outstanding not to exceed \$10,000,000.

For the purposes of this Agreement, Indebtedness shall mean (i) indebtedness for borrowed money, (ii) indebtedness for the deferred purchase price of services or property, which purchase price is due twelve months or more from the date of incurrence of the obligation or evidenced by a note or similar written instrument, (iii) obligations under leases which have been or, in accordance with GAAP, should be recorded as capitalized leases, (iv) obligations under acceptance facilities, (v) the undrawn face amount of, and unpaid reimbursement obligations in respect of all letters of credit and Contingent Obligations, (vi) all obligations evidenced by bonds, debentures, notes or other similar instruments, (vii) all obligations upon which interest charges are customarily paid, and (viii) all obligations under conditional sale or other title retention agreements relating to property purchased.

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For the purposes of this section, Contingent Obligations shall mean any guarantee of Indebtedness of any other person or any assurance with respect to the financial condition of any other person, whether direct, indirect or contingent including, without limitation, any purchase or repurchase agreement or keep-well or other arrangement of whatever nature having the effect of assuring or holding harmless any person against loss with respect to any Indebtedness of such other person; provided, however, that Contingent Obligations shall not include endorsements of instruments for deposit or collection in the ordinary course of business. Further, the amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made, or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming the Borrower is required to perform thereunder) as determined by the Borrower in good faith.

- 4.5 In addition to the investments described on Schedule "4.5"

hereto, Borrower shall not make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures, or other securities of, or make any other investment in, any of its subsidiaries not a

signatory hereto and/or and other third party in excess of \$25,000,000 during any given fiscal year.

- 4.6 Borrower shall not make, or enter into any commitment arrangement to make, capital expenditures during any fiscal year in excess of \$30,000,000, plus proceeds from the sale of assets.
- 4.7 Borrower (for purposes of this subsection 4.7 only, the term "Borrower" shall include all of Borrower's subsidiaries, restricted or unrestricted), shall not declare or pay any dividends or grant authority or make any other distribution in excess of forty percent (40%) of the previous fiscal year net income or \$3,000,000, whichever is less.
- 4.8 During each twelve (12) month period commencing on the date of this Agreement, Borrower shall cause the balance under the Note to equal zero for a period of thirty (30) consecutive calendar days. If, however, Borrower fails to comply with the foregoing, then Borrower shall immediately commence monthly installments based upon amortization of the outstanding balance representing the lowest cash funded portion under the revolving line of credit for the preceding twelve (12) months, with monthly principal payments sufficient to amortize such amount for a term of not less than thirty-six (36) months.

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- 4.9 Borrower shall maintain a minimum cash flow (net income plus

traditional non-cash charges) in excess of maintenance CAPEX (in any event not less than \$5,000,000), plus one-seventh (1/7) the total amount of Borrower's funded debt and letters of credit issued and outstanding under this Agreement. The foregoing calculation shall be made at fiscal year-end.
 - 4.10 Borrower shall not default on any term or condition of any other credit facilities to which the Borrower is now or hereafter a party. For the purpose of this Agreement, a "default" under other credit facilities shall exclude events which with the passing of time become defaults thereunder until expiration of that time without cure or waiver.
 - 4.11 Borrower shall preserve and maintain its corporate existence and good standing in the jurisdiction of its incorporation and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary for the business of the Borrower.
 - 4.12 Borrower shall reimburse the Bank for the Bank's cost and expenses, including fees and expenses of the Bank's legal counsel, incurred in the preparation and enforcement of this Agreement, the Note and other documents executed in connection herewith.
5. Reporting Requirements.
-
- 5.1 Borrower shall, within 45 days following the end of each Quarter, commencing with the Quarter ending May 31, 1996, deliver to the Bank a copy of the Borrower's Form 10-Q most recently filed with the Securities and Exchange Commission along with a balance sheet, income statement and reconciliation of cash for the previous Quarter prepared by the Borrower on a consolidating basis, separating the Borrower from the subsidiaries of Parent which are not Restricted Subsidiaries, in form similar to the balance sheet, income statement and reconciliation as of November 30, 1995, furnished to the Bank.

- 5.2 Borrower shall, in conjunction with delivery of the financial statements described in Section 5.1 hereof, deliver to the Bank a statement signed by the chief financial officer or Treasurer of the Borrower stating whether or not the Borrower is in compliance with all terms and conditions of this Agreement, the Note and all security agreements executed under the terms and conditions of this Agreement, and is in compliance with the terms and conditions of any other credit facilities entered into by the Borrower with other financial institutions.
- 5.3 Within 90 days following the end of the Borrower's fiscal year end, the Borrower shall supply the Bank with a balance sheet, income statement and reconciliation of cash for the previous fiscal year along with a statement of the firm of independent public accountants which prepared the statements provided pursuant to Sections 5.1 and 5.2, confirming the calculations which are the basis for such statements.

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- 5.4 The Borrower shall give written notification of the occurrence of an Event of Default to the Bank within one business day following the determination of the existence of such Event of Default.

6. Representations and Warranties. The Borrower represents and

warrants to the Bank that:

- 6.1 Incorporation, Good Standing, and Due Qualification. The

Borrower is a corporation duly incorporated, validly existing, and in good standing under the laws of the jurisdiction of its incorporation; has the corporate power and authority to own its assets and to transact the business in which it is now engaged or proposed to be engaged in; and is duly qualified as a foreign corporation and in good standing under the laws of each other jurisdiction in which such qualification is necessary for the business of the Borrower.

- 6.2 Corporate Power and Authority. The execution, delivery, and

performance by the Borrower of this Agreement, the Note and any security agreements which may be executed in connection herewith have been duly authorized by all necessary corporate action and do not and will not (a) require any consent or approval of its stockholders; (b) contravene its charter or bylaws; (c) violate any provisions of any law, rule, regulation (including, without limitation, Regulations U and X of the Board of Governor's of the Federal Reserve System), order, writ, judgment, injunction, decree, determination, or award presently in effect applicable to it, (d) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease, or instrument to which it is a party or by which it or its properties may be bound or affected; (f) result in, or require, the creation or imposition of any lien, upon or with respect to any of the properties now owned or hereafter acquired by it, or (g) cause it to be in default under any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award applicable to it or any indenture, agreement, lease or instrument to which it is a party.

- 6.3 Legally Enforceable Agreement. This Agreement and the Note

are, and each of the security agreements when delivered under this Agreement will be, legal, valid, and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

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April 9, 1996
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6.4 Financial Data. Subject to any limitation stated therein,

all balance sheets, earnings statements and other financial data which have been furnished to the Bank to induce it to provide the Revolver, fairly represented the financial condition of the Borrower as of the date for which the same were furnished, and all other information, reports and other papers and data were so furnished, accurate and correct in all material respects. Since November 30, 1995, there has been no material adverse change in the condition, business or prospects, financial or otherwise, of the Borrower.

6.5 Litigation. There is not now pending against the Borrower

and, to the knowledge of the Borrower, there is not now pending against its directors and officers nor threatened any litigation or any other proceeding against or affecting any of them, the outcome of which might materially and adversely affect the Borrower's financial condition or business.

7. Events of Default. Regardless of the terms of any note or other

instrument evidencing indebtedness from the Borrower to the Bank and without prejudice to the rights of the Bank to demand payment at any time hereunder and under the Note, the occurrence of any of the following events ("Events of Default") shall terminate any obligation on the part of the Bank hereunder and, at the option of the Bank, shall make all Obligations immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, except as hereinafter specified:

7.1 Nonpayment. Nonpayment when due of any installment of

interest or principal in accordance with the terms hereof, the Note or any other instrument evidencing the Borrower's indebtedness to the Bank or nonpayment when due of any other sums payable by the Borrower to the Bank. Failure to make any payments under the Note shall not constitute a default hereunder unless such failure extends beyond ten (10) days from the due date.

7.2 Act of Insolvency. Any Borrower shall (a) apply for or

consent to the appointment of a receiver, trustee or liquidator of itself, or of all or a substantial part of its assets, (b) be unable, or admit in writing its inability to pay its debts as they fall due, (c) make a general assignment for the benefit of its creditors, (d) be adjudicated a bankrupt or insolvent, or (e) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or

any corporate action shall be taken by it for the purpose of effecting any of the foregoing.

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7.3 Involuntary Bankruptcy. An order, judgment or decree shall

be entered, without the application, approval or consent of any Borrower, by any court of competent jurisdiction approving a petition seeking reorganization of any Borrower or appointing a receiver, trustee or liquidator of the Borrower or of all or a substantial part of any of its assets and such order, judgment or decree shall continue unstayed and in effect for any period of more than sixty (60) consecutive days.

7.4 General Default. The breach of, or default under, any

covenant, agreement, term, condition, provision, representation or warranty contained in this Agreement or any instrument executed in connection herewith not specifically referred to in this Section 7. If the breach or default is nonmonetary in nature, and excluding representations and warranties in this Agreement and related documents, Borrower shall be entitled to a thirty (30) day written notice and cure period.

8. Governing Law. This Agreement, the Note and any security

agreements executed pursuant to the terms hereof shall be governed by, and construed in accordance with, the laws of the State of Oklahoma.

9. Severability of Provisions. Any provisions of this Agreement, the

Note and any security agreements executed pursuant to the terms hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof or affecting the validity or enforceability of such provision in any other jurisdiction, unless the remaining terms would substantially alter the intent of the original agreement, in which case such agreement would be voidable by either party.

10. Notices. All notices, requests and demands hereunder shall be

given to or made upon the Bank and the Borrower by (i) telefax, or (ii) United States mail, postage prepaid and addressed as follows:

Borrower:

Parker Drilling Company, et al.
Eight East Third Street
Tulsa OK 74103
Attn: Ed Hendrix
Telefax No.: (918) 631-1265

Bank:

Bank of Oklahoma, National Association
P. O. Box 2300
Tulsa OK 74103
Attn: Energy Dept. - 8 South
Telefax No.: (918) 588-6880

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11. Counterparts. This Agreement may be executed in as many

counterparts as may be deemed necessary or convenient, and each counterpart shall be deemed an original. Bank may rely on telefax signatures as originals.

If the terms and conditions described in this Agreement, the Note and the Standby Letter of Credit Application are acceptable to the Borrower, please have the duly authorized officer of the Borrower execute as indicated below.

Sincerely,

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By /s/ Tim Sheehan

Tim Sheehan, Vice President

Read and accepted.

PARKER DRILLING COMPANY
PARKER DRILLING COMPANY LIMITED
(BAHAMAS)
PARKER DRILLING COMPANY OF
MEXICO, LTD.

By /s/ I. E. Hendrix, Jr.

I. E. Hendrix, Jr., Vice President

ANACHORETA, INC.
DGH, INC.
OIME, INC.
PARCO, INC.
PADRIL, INC.
PARKER DRILLING COMPANY OF
OKLAHOMA, INC.
PARKER DRILLING COMPANY NORTH
AMERICA, INC.
TOTAL COVERAGE SERVICES
UNIVERSAL RIG SERVICE CORPORATION

By /s/ Thomas L. Wingerter

Thomas L. Wingerter, President

PARKER AVIATION INC.

By /s/ Thomas L. Wingerter

Thomas L. Wingerter, Vice President

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PARKER DRILLING COMPANY OF
BOLIVIA, INC.
PARKER DRILLING COMPANY OF
SOUTH AMERICA, INC.
PARKER DRILLING COMPANY
INTERNATIONAL LIMITED
PARKER DRILLING COMPANY KUWAIT,

LTD.

By /s/ I. E. Hendrix, Jr.

I. E. Hendrix, Jr., Vice President

PARKER DRILLING COMPANY OF
INDONESIA, INC.
PARKER DRILLING COMPANY OF
SINGAPORE, LTD.
PARKER DRILLING COMPANY EASTERN
HEMISPHERE, LTD.
PARKER DRILLING COMPANY OF
NEW GUINEA, INC.
INDOCORP OF OKLAHOMA, INC.

By /s/ T. Bruce Blackman

T. Bruce Blackman, President

PARKER DRILLING COMPANY OF
NEW ZEALAND LTD.

By /s/ T. Bruce Blackman

T. Bruce Blackman, Director

PARKER VALVE COMPANY
PARKER AIR LOGISTICS
VANCE SYSTEMS ENGINEERING, INC.

By /s/ William W. Pritchard

William W. Pritchard, Vice President

PARKER TECHNOLOGY, INC.

By /s/ Joe N. Brown

Joe N. Brown, President

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STATE OF TEXAS)
) ss.
COUNTY OF ECTOR)

This instrument was acknowledged before me on this 11th day of

April, 1996, by Joe N. Brown, as President of Parker Technology, Inc.

My Commission Expires: 05-13-97
/s/ Connie W. Smithee

Notary Public

[S E A L]

PARKER KINETIC DESIGNS, INC.

By /s/ James M. Weldon

James M. Weldon, Vice President

STATE OF TEXAS)
) ss.
COUNTY OF TRAVIS)

This instrument was acknowledged before me on this 10th day of

April , 1996, by James M. Weldon, as Vice President of Parker Kinetic

Designs, Inc.

My Commission Expires:

/s/ Vonda Lawson-Rosa

Notary Public

June 23, 1999

[S E A L]

CANADIAN RIG LEASING, INC.

By /s/ Sharon L. Poynter

Sharon L. Poynter, Vice President

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April 9, 1996
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PROVIDENCE OF ALBERTA)

) ss.
COUNTY OF)

This instrument was acknowledged before me on this 11th day of

April , 1996, by Sharon L. Poynter, as Vice President of Canadian Rig

Leasing, Inc.

My Commission Does Not Expire

/s/ D. Mitchell Williams

Notary Public

[S E A L]